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1 March 1988

MEMORANDUM FOR: Director, Intelligence Community Staff
Deputy Director for Administration
Deputy Director for Intelligence
Deputy Director for Operations
Deputy Director for Science and Technology
Inspector General
Chairman, National Intelligence Council
General Counsel
Director, Office of Congressional Affairs
Comptroller
Director, Public Affairs Office
Counsel to the DCI
Director, DCI/DDCI Executive Staff

FROM: Executive Director

SUBJECT: Off-site Conference, 21-23 February 1988

Our off-site conference was made up of eleven specific discussions as set forth in the attached conference agenda. These notes are intended to briefly summarize the scope and character of each discussion, and our recommendations for future action.

1. Mr. Hineman set forth the case for devoting a fixed percentage of the Agency's budget (to be settled after Congressional action) to basic research and development. He argued that such activity pays continuous dividends to all of us; that it should be regarded as support to the entire Agency and not simply to the S&T. He pointed to the need for Agency involvement in certain kinds of computer processing technologies, super conductivity, and in other areas with potentially revolutionary implications for many parts of our profession. Others expressed general support for an R&D program focused perhaps on five or six areas of the most fundamental interest to all of us. Mr. Hineman pointed out that there was an extensive process of consultation with all levels of management in an effort to ensure that our R&D program really is responsive to all our needs. He proposed that we gradually increase the percentage of our investment from today's approximately 1.5 percent to about 2.5 percent of our budget, and that this allocation be set after Congressional action. The DDCI noted that the question Evan had raised was analogous to the problem of whether one pays his savings account first or his mortgage payment. He suggested that we think of today's 1.5 percent of non-personal services as a floor, exploring ways to increase the level. Mr. Childs pointed out that we were free to make this decision, but that each time we build a fence around one part of our program we assured that many Congressional and other reductions would be applied to the ever-declining, non-fenced balance.

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2. The second session was a presentation of Agency demographic trends and their implications. Mr. Huffstutler took us through a series of charts (available to attendees), laying out the composition of our workforce from numerous points of view. He noted, in particular, that the number of non-strength count employees has grown from 12 percent of our total workforce some years ago to 25 percent today, reflecting, for example, the numbers of part-time security folks needed to cope with the sizeable increase in Agency population and the security escorts needed to help us with the construction and fitting out of the new building. He also noted that while today's Agency workforce is young, it seems to present a reasonable healthy balance between more mature individuals able to provide experience, competent leadership, and balance with newer, less experienced employees who bring us fresh ideas and perspectives from the outside world. There followed a good deal of discussion about today's reward structure; about attrition and flow-through; and about problems we have retaining certain kinds of employees, in particular, technical people at the GS-14 through SIS-01 or 02 level. Other issues discussed included some innovative proposals from the Human Resource Task Force report which will be coming forward for decision soon; the strong need for internal recognition of superior performance, in part a result of the lack of outside recognition; career progress being made by women; the operation of our career service structure; continuing changes in the mix of our workforce, particularly the continuing transformation of our clerical population into other higher skilled areas; and issues relating to whether we are promoting the right people to senior positions. The DCI stated his conviction that our career services, particularly at the senior level, should be more broadly based. Mr. Hineman expressed concern that, in pursuing this laudable goal, we not be driven to a process dependent only on a paper record, which he characterized as inadequate as it is operated elsewhere.

3. [] summarized the major changes that were made some four years ago in our language programs, emphasizing that our experience with the program so far strongly suggest that our Language Achievement and Maintenance Awards Programs are working as intended, i.e., they do motivate people to study and maintain language skills, but that the Use Program is not having the desired effect. Mr. Stolz explained his great concern that we do not have sufficient numbers of people who are truly competent to do business in foreign languages. He cited statistics about the too limited numbers of "highly skilled" (Level 4) speakers in many languages, and said that he will soon propose a reorientation of the Language Program to deemphasize Use Awards, while emphasizing higher level Achievement and Maintenance Awards. In addition, he may propose that some of the funds being spent on the Use Program truly be devoted to our training efforts, allowing us to put more people overseas into full-time language training or perhaps total immersion programs here in the United States. Mr. Childs noted that we needed to establish some goals (i.e., 100 Level 4 French

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speakers), so we could see whether we were making progress. The DCI expressed his conviction that we must support a long-term program, that the Agency must make the necessary investments to sustain such programs, and said he would support sensible new initiatives.

4. Mr. Price reviewed the Agency's use of rehired annuitants, including those from the Agency as well as other federal organizations, particularly Defense and the FBI. He pointed out that most annuitants in effect do "piecework" and other tasks that aren't easily filled by career officers, and that a decision to replace our annuitants with full-time staff employees would add some \$10M to our overall costs. There was a good deal of discussion about the various circumstances in which annuitants are cost-effective. The DDCI emphasized that those who use annuitants for their unique skills should be required to identify new sources of such skills within a specific time, e.g., one year. The DCI expressed appreciation for the detailed presentation, and noted that the program seemed useful and sensibly managed. He asked that we be particularly circumspect in allowing back very senior people, and that we avoid circumstances in which someone might retire from the Agency today and return to the same job tomorrow as an annuitant, and the circumstance where someone might retire in a lower or medium grade but be effectively granted a significant salary increase by the terms of his contract as an annuitant.

5. [] took us through a series of provocative viewgraphs on executive training and development. Much of the subsequent conversation focused on recent innovations in the training program, particularly in the Executive Seminar and the new First-Line Supervisor's Course. The DCI asked a number of questions about assessment centers and similar techniques for coming to better informed judgment about the management or leadership abilities of individuals. He also asked a number of questions about the techniques available for motivating our people, and expressed particular interest in OTE's Looking Glass course, the new First-Line Supervisor's Course, and other efforts to help managers develop their abilities. Other topics were explored, including whether we are sending the right people off to universities; how our training selection process works; and whether we have tracked the people who have participated in our training program to see what has become of them since training. The DCI stated his conviction that "vertical dependency" is a problem, that our personnel system needs to signal to employees that their career, promotion and other needs are reviewed by more than their supervisor. There followed a decision of our panel process as it relates to this issue. Finally, there was an animated conversation about whether the Agency is promoting the right people into the SIS ranks and whether all employees are in fact taking advantage of the new innovative training programs which OTE has designed to help with these issues. Mr. Stolz particularly noted that the DO has a problem with participation in training programs, that partly this was the fault of Operations Directorate managers, that it was in part an attitudinal question, and partly that some OTE programs need to be better adapted to the Operations culture if they are to be successful. Mr. Hineman stated his

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view that we should bring all new supergrades back from overseas, as necessary, to participate in the Executive Seminar so as to ensure that all officers are exposed to this experience. [] pointed out that participation is good and improving, but that more effort and management support will be required to get us to 100 percent.

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6. The next session concerned minority hiring. Mr. Price took us through a number of charts, making the point that women are becoming a larger percentage of our professional workforce, that they seem to be doing reasonably well and are moving upward in our organization, particularly that the feeder groups to bring women to senior positions look in much better order than only a few years ago. The picture with respect to blacks and other minorities is not so positive. The statistics show respectable numbers of minorities coming into the Agency, though the numbers are distorted by recent hirings of large numbers of relatively low graded employees. There ensued a long discussion of the meaning of these statistics; the effect of the PATB; and about how our hiring process worked. Mr. Price noted that entry into the Agency for blacks would likely become more difficult as the numbers of new hires decrease dramatically as a result of reaching ceiling and an end to growth. In effect, the competition is increasing. The Director emphasized that our directorates and offices don't hire people, the Agency does. He said that the Office of Personnel should, in some cases, hire qualified blacks and other minorities, even though there might not be an Agency sponsor for them initially, and take the responsibility for placing them on a career path. He added that the circumstances for our women appeared good, but that we need to redouble our efforts with blacks and other minorities.

7. The discussion then turned away from personnel resources to a broader conversation about resource issues. [] reviewed how the Community process evolved over the last decade and the DCI's changing role, the abolition of the Executive Director's job in 1973, and the development of the Comptroller meeting format which has shaped today's budget management arrangements. He added that there now seems to be a broadly-based consensus for much more thoughtful Agency planning directly linked to our resource process, and that he will make some specific proposals shortly.

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8. Messrsr. Stolz and Kerr then presented their perspectives on today's resource picture, stressing our diminished circumstances, our changing priorities, what the new Administration may want, and the perennial question of what we can stop doing in order to make room for needed new efforts. The DCI, in particular, stressed that we need to focus on what we must do, not on what we don't want to do. He expressed his sense that despite reductions, we are in quite good circumstances overall, and reiterated that we need to pay continuing close attention at all management levels as to whether our money is being spent in areas where it is truly required. The DDCI noted that he didn't have the intimate contact with budgetary issues in the Agency that he did as DDI, but that his view of our overall circumstances was inevitably shaped by the small examples that came to his attention, and that he had seen enough examples of unnecessary expenditures lately to cause him to question whether we face a serious resource crunch.

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There followed a general conversation of these points, with emphasis on the need to focus more clearly on the little items which do, in fact, add up, but with recognition that just inflicted, sizeable cuts in the base program will go far towards eliminating any minor excesses which may have appeared.

[] said that, in his opinion, a discussion about whether we would need to cut overseas stations or reduce or terminate analytical work in selected areas (such as narcotics or counterterrorism) to cope with budget cuts was irrelevant at the moment because these were not the items in our program that truly cost money. He suggested that at the Agency's lowest financial ebb in the late 1970's our personnel costs constituted half of the Agency's budget, with the balance directed to current operations and a near-zero level of investment. Even in 1988, after significant recent cuts, our investment programs still total [] and it is in this area that we will regrettably be forced to take further cuts if they come. The DCI stressed the need to work hard to ensure that we maintain a level of investment in the areas which require it; in effect, doing a little bit each year to keep ourselves modern rather than be faced with replacing total systems with expensive and highly-visible investment initiatives.

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9. The Executive Committee met privately with the DCI and DDCI on Monday evening to concentrate on a discussion of our counterintelligence/security posture, and to discuss senior management relationships and arrangements generally. Mr. Huffstutler was tasked to prepare a paper summarizing our discussions in the counterintelligence area.

10. Tuesday morning the DCI summarized the previous evening's discussion along the lines above; announced his decision that [] will be the new ADDI; and emphasized his conviction that we must renew our emphasis on thoughtful planning for the future. We then returned to the resource discussion which had begun the day before, with Messrs. Hineman and Huffstutler summarizing their circumstances and the challenges they face. Mr. Hineman emphasized the collegial planning approach he had developed in the S&T which encourages the Office Directors to operate in a more thoughtful way. Mr. Huffstutler emphasized that while the DA had taken major reductions recently, they at least had the satisfaction that (except with respect to technical security), they had made major progress on most of the needed Agency upgrades, including our communications program, the new building program, etc.

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11. The Director then summarized the entire session, expressing his general satisfaction with the conversation, and complimenting all of the presentors for their efforts. He observed that we hadn't spent much time talking about communications with our employees, but that he wished to emphasize its importance and that we would discuss it explicitly at our next session. He again emphasized his conviction that an organization as heterogeneous as the Central Intelligence Agency very much needs a corporate perspective at the top, and that we are a cutting-edge organization requiring continuing investment in the future if we are to maintain that status. He emphasized the importance of investing in systems which allow

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us to move our information around to ensure that the right people get the right information, and stressed that we must do all this in the most modern way...at least on a par with the private sector. He stressed that there were certain kinds of issues that are very important to employees: parking spaces, clean halls, decently painted facilities, etc., and that in dealing with the budgetary cutbacks we should ensure that we don't tamper with these important and high-visibility programs any more than is absolutely necessary. He encouraged further progress in the executive training and development areas, suggesting that we have made a very solid start; that we need to maintain our flexibility and find additional ways to make sensible moves which will enhance the future capabilities of our people. Finally, he stressed again the need for all of us to think of "we" as referring to the entire Agency, not just to the particular component in which we worked, and reiterated that we needed to do better at tying our resource decisions to our goals. Following this, the DDCI and others present each expressed their views on the value of the discussions held and offered suggestions for the future.

Decisions:

12. The Language Program will be revised to deemphasize the use of language Use Awards and increase our investment in training and Achievement and Maintenance Awards. Mr. Stolz will have proposals prepared for detailed consideration by the Language Development Committee.

13. [] will begin development of a planning process which will link our management objectives and priorities directly to the budget process. Major changes will be made in time for incorporation into the 1991 budget process beginning in the Fall. 25X1

14. Mr. Huffstutler will complete a memorandum outlining agreed changes in the counterintelligence/security area. 25X1

cc: DCI
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